

**DEPARTMENT OF STATE REVENUE**

**LETTER OF FINDINGS NUMBER: 98-0521P**

**Adjusted Gross Income Tax  
Calendar Years 1994, 1995, and 1996**

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**ISSUE(S)**

I. **Tax Administration** – Penalty

**Authority:** IC 6-8.1-10-2.1(d); 45 IAC 15-11-2

Taxpayer protests the penalty assessed.

**STATEMENT OF FACTS**

Taxpayer, incorporated under the laws of Indiana on April 1, 1978 was audited for calendar years 1994 through 1996. Upon audit it was discovered that the taxpayer made many errors in reporting its adjusted gross income, Indiana modifications, and credits as shown on pages 5 through 10 of the audit report. The major error on the returns was that wage expense was deducted twice, once in cost of goods sold and once in deductions. The taxpayer paid an accounting firm to prepare the tax returns.

Taxpayer requests that the department waive the negligence penalty.

I. **Tax Administration** – Penalty

**DISCUSSION**

Taxpayer was assessed a negligence penalty because it failed to file accurate income tax returns for adjusted gross which resulted in assessments in calendar years 1994 and 1996 and a refund in 1995.

Taxpayer, in a letter dated August 26, 1998 requested the department waive the penalties due to reasonable cause and states it was relying on a paid professional to do a complete and accurate job and not the taxpayer trying to avoid paying the proper taxes. The changes included in the audit were all due to the prior accountant's inability to prepare a correct return.

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Taxpayer failed to check and confirm that the information on the returns was accurate as shown on its books and records for all years of the audit therefore the negligence penalty is appropriate.

**FINDING**

Taxpayer's protest is denied.